BRITISH COLUMBIA

BC STATS

Ministry of Management Services

Infoline

Contact: bcstats.infoline@gems6.gov.bc.ca Issue: 04-50 December 17, 2004

- **Inflation rate remains at 2.4% in November**
- **Exports slip 6.5%; manufacturing shipments down 2.3% in October**
- **Shelter biggest expenditure item for BC households; taxes take bigger bite in other provinces**

Prices

- **British Columbia's all-items consumer price index increased 2.4% during the twelve-month period ending in November, leaving the year-over-year inflation rate unchanged from the previous month.** Energy prices continue to play a big role in the upward movement of the overall price level. They were 10.3% higher this November than in the same month last year, largely because the cost of fuel oil (+36.3%) and gasoline (+15.2%) remains high. However, drivers got some relief in November, as gas prices moderated slightly from the October level. Excluding energy, the overall price level was up 1.8% in November.

  Shelter prices rose 2.9%, boosted by insurance, tax and utility costs. Transportation prices advanced 4.6%, reflecting the higher cost of gas, insurance, and public (especially inter-city) transportation. Taxes pushed up prices for alcohol and tobacco products (+4.2%), and consumers paid more for clothing & footwear (+3.5%) and food (+1.6%).

  BC's inflation rate was the same as the national average (+2.4%). Alberta (+1.9%) and NWT (+1.6%) were the only regions where prices increased less than two percent in November. Prices rose 2.7% in Victoria; in Vancouver, the year-over-year increase was 2.3%.

  Data Source: Statistics Canada

The Economy

- **Exports of BC products slipped (-6.5%, *seasonally adjusted*) in October, continuing a five-month-long trend of little or no growth in the value of BC's international shipments.** Exports of forest products (-6.4%) and industrial & consumer goods (-28.1%) were down substantially from September levels, with a less marked decline (-1.4%) in machinery, equipment & automotive product exports. However, exports of energy (+15.1%) and agriculture & fish (+4.1%) products increased.

  Exports to both US (-1.1%) and overseas (-16.4%) destinations slumped in October. A downturn in forest product (-9.8%) exports accounted for virtually all of the decline in exports to the US. The value of forest products bound for other international destinations was unchanged. *Data Source: Statistics Canada & BC Stats*

- **Despite the recent downturn, the value of international shipments from BC remains well above 2003 levels.** *Unadjusted* data show a 10.6% year-over-year increase in exports from BC. Nationally, exports were up 6.0% from October 2003. Among the provinces, Alberta (+25.2%) posted the strongest growth.

  Data Source: Statistics Canada

- **Shipments of goods manufactured in the province fell 2.3% (*seasonally adjusted*) between September and October.** The drop in the value of shipments was widespread across industries. Shipments by paper (-6.6%) and wood (-3.6%) manufacturers slumped, while the food processing industry saw virtually no change (-0.1%). Producers of primary metals (-5.6%), machinery (-3.7%) and fabricated metals (-1.6%) also posted declines. Nationally, the value of shipments fell 1.3%, as shipments slipped in six provinces, including Ontario (-2.6%). Newfoundland (+11.0%) was the only province to post a significant increase.

  Data Source: Statistics Canada

- **The number of new motor vehicles driven off car lots in the province increased 4.4% (*seasonally adjusted*) between September and October.** Sales were up in most provinces, rising 7.7% nationally. Dealers in Newfoundland (+17.1%), Saskatchewan (+13.4%)

Report Canada hoping trade with Brazil will take off

Did you know...
No known species of reindeer can fly, but there are hundreds of thousands of living creatures that have yet to be classified. While most of them are insects and bugs, this does not completely rule out the possibility of flying reindeer, which only Santa Claus (and Clement Moore) have ever seen.

and New Brunswick (+9.9%) posted the strongest gains. *Data Source: Statistics Canada*

Tourism

- **Visitor entries to BC from the US and overseas fell 5.8% (*seasonally adjusted*) between September and October.** Entries from the US (-6.8%) were down significantly, reversing a strong gain in the previous month. The number of visitors from overseas sources dropped 0.9%. Entries from Asia, the most important source, edged up 0.3% as visitors from Taiwan (+15.6%) and South Korea (+4.6%) boosted the overall total. There were fewer entries from Europe (-2.2%) and the South Pacific (-7.9%).
Data Source: Statistics Canada & BC Stats

Crime

- **Impaired driving (11%) and common assault (11%) are the most frequent offences disposed in adult criminal court in Canada.** Theft (9%) and failure to comply with an order (8%) are also common offences. About 4% of offences disposed in criminal court are related to drug trafficking. Individuals brought before the courts are most likely to receive a guilty verdict in New Brunswick (72%), Quebec (71%) and Newfoundland (67%). They're least likely to be found guilty in Nova Scotia (49%), Ontario (52%) and BC (55%). *Data Source: SC, Catalogue 85-002*

Consumer Spending

- **Household spending in the province averaged $60,090 in 2003, more than in any other province except Alberta ($66,490) and Ontario ($68,120).** Shelter costs accounted for nearly 21% of total spending in BC, with personal taxes (18%) taking the second-biggest bite out of the household purse. In most provinces, personal taxes were the single biggest expenditure item, accounting for anywhere from 16% to 22% of the total budget.

  PEI (16%) and New Brunswick (17%) were the only provinces where consumers spent proportionally less of their household income on personal taxes than in BC (personal taxes include income and other taxes such as gift or school taxes levied in some provinces). However, shelter costs accounted for a bigger share of total spending in BC than anywhere else in Canada. Transportation (14%) and food (11%) together make up about a quarter of total household spending in BC. *Data Source: Statistics Canada*

- **The popularity of DVD players has skyrocketed, with more than half of all Canadian households now reporting them, up sharply from 36% in 2002.** Reporting households spent an average of $340 on cameras in 2003, but paid less (-12%) for film and processing, suggesting that digital cameras are gaining ground. *Data Source: Statistics Canada*

Santa's still busy making toys, but we think he'd want to join all of us at BC Stats in wishing you a very Merry Christmas and a Happy New Year! Ho Ho Ho!

The next issue of Infoline will be released January 7, 2005

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For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

Issue: 04-50
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Contact: Dan Schrier (250) 387-0376
Originally published in *Exports*, Issue 04-09. Annual Subscription $60 +GST

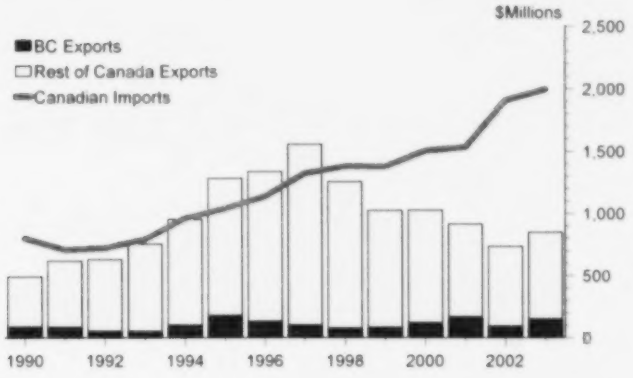
Canada is Hoping Trade with Brazil will Take Off

Please note: The following article was originally published before the trade mission to Brazil in had occurred, in November of 2004.

After years of being bogged down in a bitter trade dispute over government subsidies in the aircraft industry, Canada and Brazil will attempt to develop closer trade ties when International Trade Minister James Peterson leads a Canadian trade mission to Brazil starting November 21, 2004. Boasting the largest economy in the southern hemisphere, Brazil has grown into one of the more important economic forces in the world, yet only 0.4% of Canada's two-way trade (i.e., exports plus imports) was with Brazil in 2003. While the value of imports from Brazil has experienced some growth over the last decade, exports to Brazil have actually dropped from their peak in 1997.

James Peterson, the Minister of International Trade, will be leading a trade mission to Brazil in November

Despite its significant market potential, Brazil has not been a significant destination for Canadian goods



Brazil has not historically been a significant market for goods from BC, nor from the rest of Canada

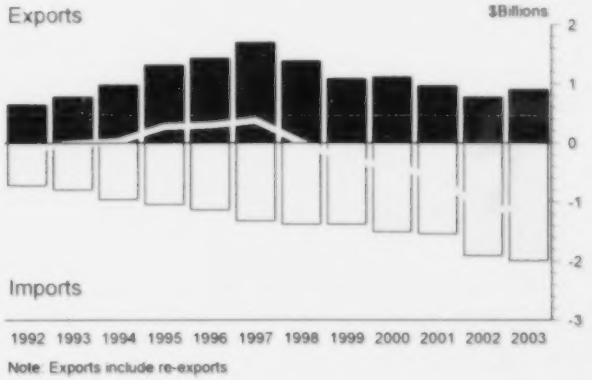
Part of the reason for the lack of growth on the trade front may be the protracted aircraft dispute that has become a textbook example of the limitations of the World Trade Organization (WTO). The battle began in 1996 when Canada requested the establishment of a WTO panel to investigate the legality of state subsidies given to the Brazilian aircraft manufacturer, Embraer. The WTO found that the subsidies were illegal and when Brazil did not comply with the ruling, Canada was granted permission by the WTO to impose countermeasures against Brazilian goods. Instead of proceeding with tariffs, Canada decided to fight the subsidies given to Embraer by essentially giving matching subsidies to its own regional aircraft manufacturer, Bombardier. Proving once again that two wrongs don't make a right, the WTO found Canada's subsidies

The WTO has found that both Brazil and Canada are guilty of illegally subsidizing regional aircraft manufacturers

illegal and granted Brazil permission to impose economic countermeasures against Canada. To date neither country has proceeded with retaliatory duties, preferring instead to continue to negotiate a resolution to the long-standing dispute. The two countries have made some recent progress on the issue, but an agreement has yet to be reached.

If Canada and Brazil are to become more significant trade partners, it is crucial that they put their disagreement over regional aircraft manufacturing behind them. In 2003, Brazil ranked 16th as both a destination for Canadian exports and a source of Canadian imports. A meagre 0.2% of Canadian merchandise exports were shipped to Brazil, while only 0.6% of imports into the country originated in the South American country. Brazil is an important market and there is potential for a far more significant trading relationship between the two countries than currently exists.

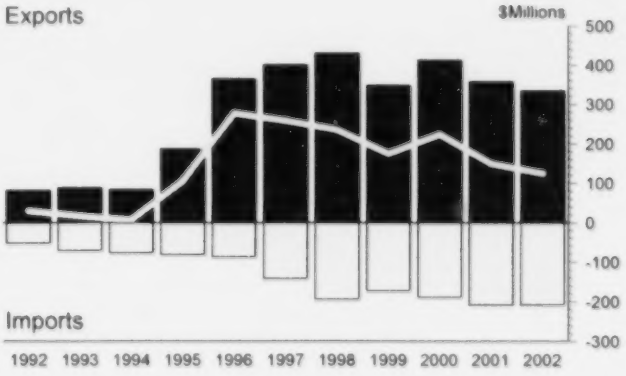
Canada has a significant commodity trade deficit with Brazil...



Note: Exports include re-exports

Imports from Brazil have been climbing, while exports have slipped, which has resulted in a significant merchandise trade deficit for Canada with Brazil

...but has a surplus in trade in services

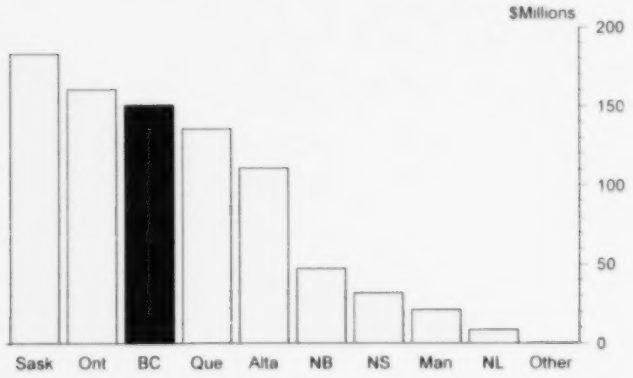


Although trade in services between Canada and Brazil is sparse, Canada does have a trade surplus

Canada currently has a significant deficit in trade in goods with Brazil with imports valued at more than double that of exports. However, in terms of services, Canada has a trade surplus, although the total value of trade in services is a fraction of the trade in goods.

Brazil 's a slightly more important destination for BC exports compared to the national average, as 0.5% of BC origin exports were shipped to Brazil in 2003, ranking it as the 14th most significant destination for BC commodity exports. Among the provinces, British Columbia ranked third in terms of value of exports to Brazil, with $150.5 million worth of goods shipped to the South American destination in 2003, or 17.7% of the Canadian total.

BC ranked third in 2003 as a source for Canadian exports to Brazil



BC was the source of almost 18% of Canadian exports to Brazil in 2003, ranking it third in the country

By far the most significant export from BC to Brazil was coal, with $107.7 million worth of coal shipped to that country, comprising 72% of total BC origin exports to Brazil. Newsprint and other paper and paperboard was the next largest shipment from BC, making up 12% of total BC exports to Brazil.

Coal is the top product shipped from BC to Brazil

Saskatchewan was the top province with regard to exports to Brazil in 2003, mainly on the strength of $142.0 million in shipments of potash. Wheat and canary seed were other major exports from Saskatchewan, as well as from Manitoba. Second-ranked Ontario shipped mainly manufactured goods, such as machinery and equipment, while almost half of Quebec's exports to Brazil consisted of newsprint.

Canadian imports from Brazil are somewhat more diversified than exports to that country. The leading imports in 2003 were iron and steel (13%) and motor vehicles and parts (12%). By comparison, the top Canadian exports to Brazil were potash and other fertilizers (23%) and newsprint and other paper and paperboard (14%).

Although Brazil is by far the largest market for Canadian goods and services in South America, its potential as a trade partner has not been fully realized. However, while trade in goods and services may be below its potential, there is significant Canadian direct investment in Brazil. In 2003, Canadians had almost $7.6 billion invested in Brazil; however, Brazilian direct investment in Canada was only a fraction of that amount. Direct Brazilian investment in Canada amounted to only $770 million in 2003, just over 10% of the value invested by Canadians in Brazil.

Canadian direct investment in Brazil was $7.6 billion in 2003, compared to $770 million invested by Brazilians in

The Canadian trade mission to Brazil will attempt to highlight the opportunities available in Brazil to Canadian companies and allow them to develop contacts to strengthen the trade relationship between the two countries. In addition to traditional sectors such as pulp and paper, mining, oil and gas, agriculture and energy, the mission will also focus on areas of high technology such as biotechnology, information technologies and telecommunications. Brazil is a growing economy with tremendous potential as a trade and investment partner for Canada. The trade mission is a positive sign that perhaps the adversarial relationship stemming from the aircraft dispute may be softening and the two countries can look forward to a stronger economic relationship in the future.

Infoline

Dec 17, 2004

fax transmission information service from **BC STATS**

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also on the Internet at www.bcstats.gov.bc.ca

No Infoline next week

BC at a glance . . .

POPULATION (thousands)	Jul 1/04	% change on one year ago
BC	4,196.4	1.1
Canada	31,946.3	0.9
GDP and INCOME		
(BC - at market prices)	2003	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	145,550	5.2
GDP *($ 1997 millions)*	133,600	2.5
GDP *($ 1997 per Capita)*	32,175	1.6
Personal Disposable Income *($ 1997 per Capita)*	19,758	0.3
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Oct	3,567	-2.3
Merchandise Exports - Oct	2,598	-6.5
Retail Sales - Sep	4,001	1.4
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Nov '04	% change
BC	123.7	2.0
Canada	125.7	1.8
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Nov '04	prev. month
Labour Force - BC	2,237	-0.5
Employed - BC	2,093	0.1
Unemployed - BC	144	-7.6
		Oct '04
Unemployment Rate - BC *(percent)*	6.4	6.9
Unemployment Rate - Canada *(percent)*	7.3	7.1
INTEREST RATES (percent)	Dec 15/04	Dec 17/03
Prime Business Rate	4.25	4.50
Conventional Mortgages - 1 year	4.80	4.75
- 5 year	6.05	6.45
US/CANADA EXCHANGE RATE	Dec 15/04	Dec 17/03
(avg. noon spot rate) Cdn $	1.2230	1.3251
US $ *(reciprocal of the closing rate)*	0.8165	0.7544
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Nov '04	one year ago
BC	701.27	2.7
Canada	687.28	2.9

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

New on our site!

Statistical Profiles by College Region With Emphasis on Labour Market and Post-Secondary Education Issues

Aboriginal Profiles

These profiles provide comparisons of the socio-economic conditions of the on-reserve and off-reserve aboriginal populations as well as the non-aboriginal population by College Region. Data are from the 1996 and 2001 Census, Statistics Canada.

http://www.bcstats.gov.bc.ca/...
data/cen01/abor/ap_main.htm

Season's Greetings

Released this week by BC STATS

- Consumer Price Index, November 2004
- Exports, October 2004
- Small Business Quarterly, 3rd Quarter 2004

Next week

- Consumer Price Index, November 2004
- Business Indicators, December 2004
- Current Statistics, December 2004

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